

Plan Shifts Medicaid To States

4/11/95 GOP Lawmakers, Governors Negotiate Control of Program

By Judith Havemann
and Barbara Vobejda
Washington Post Staff Writers

Congressional leaders are conducting serious negotiations with Republican governors over a plan to turn over to the states control of Medicaid, the nation's largest and most expensive welfare program.

If adopted, the proposal would send as much as \$88 billion in federal funds now spent annually on the medical program for the poor directly to the states in lump-sum payments, and it would allow the states to spend sizable amounts of the federal money in areas other than health care. At the same time, it could mean drastically cutting the rate of spending growth on Medicaid, which was 11.5 percent in fiscal 1993.

The proposals, developed in private talks among top Republicans, would produce even greater change in the way government deals with the impoverished than the broad welfare reform legislation approved by the House last week. The House bill would replace dozens of poverty programs with block grants to the states and reduce federal spending on welfare benefits.

"There is very significant sentiment, interest and excitement about transforming [Medicaid] into a block grant and removing a fair amount of the strings," said Eric Ueland, spokesman for the Senate Republican Policy Committee. "But the hows and whys and the whether remain to be worked out."

The plan offered to congressional negotiators by Republican governors would end the current entitlement that guarantees medical assistance for any eligible American. That propo-

posal, a copy of which was obtained by The Washington Post, would allow states to use Medicaid funds however they wish in providing medical assistance to low-income persons. But they would also be allowed to transfer as much as half of their federal Medicaid funding to use for other purposes, such as nutrition or child-care programs.

Members of Congress involved in the negotiations are expected to respond to the Republican governors' proposal in the coming weeks. While the governors are asking for maximum flexibility in how they spend the funds, a more difficult point of

See MEDICAID, A4, Col. 1

MEDICAID, From A1

contention will be the level of funding they receive.

"I'm very encouraged," said Gerald Miller, Michigan's social service director and lead negotiator for Republican governors with congressional leaders. "I think Medicaid will be resolved jointly with the House and Senate at the same time as welfare reform."

Medicaid, which will cost state and federal governments about \$169 billion this year, provides medical care for 33 million poor or disabled Americans. The federal government pays about 57 percent of the total cost, and the states pick up the remainder. State and federal spending on Medicaid grew by nearly 12 percent in fiscal 1993, although the rate in some states was much higher.

The negotiations over Medicaid are occurring as part of a broader effort in the Senate to design a welfare reform bill and to bring down spending on entitlement programs in order to meet the Republicans' budget-cutting goals. Several key Republicans, including Senate Finance Committee Chairman Bob Packwood (Ore.), have said they support proposals to replace Aid to Families with Dependent Children, the basic cash assistance program, with block grants to the states.

The block grants under discussion are predetermined, lump-sum payments of federal funds to a state or local government, replacing a system of federal payments that can go

up or down based on the number of needy people.

Currently, the federal government requires states to provide Medicaid to certain categories of the poor, such as AFDC recipients, but states can provide benefits to a wider range of people.

Senate Republicans have expressed concern about many of the restrictions that the House bill would place on the states, including a ban on cash assistance to unwed mothers under age 18 and most non-citizens.

"One of the things that concerns me about the action that has taken place in the House," said Sen. John H. Chafee (R-R.I.) at a Finance Committee hearing this week, "is that it seems we have lost sight of what our goals are in welfare reform. . . . The focus seems to be entirely on how to save money and give states maximum flexibility."

Chafee has expressed reservations about turning over to the states federal programs for nutrition, child protection and the disabled.

There appears to be significant Republican support in the House and Senate for a Medicaid block grant, including from Senate Majority Leader Robert J. Dole (Kan.).

"Let the states take care of the safety nets," said Sen. Don Nickles (R-Okla.), who said he supports block grants for most welfare programs. "My thought is we don't need to micromanage from either a liberal

viewpoint or a conservative viewpoint."

"I absolutely believe the states can do better" running Medicaid programs, said Sen. Rick Santorum (R-Pa.) "Medicaid is the worst of all the welfare systems with respect to efficiency."

At the same time, the proposal is also prompting loud protest from some governors, who fear the loss of federal funds would be devastating.

James Touhy, secretary of the Florida Department of Health and Rehabilitative Services, said that block grants for "AFDC and child care give us real concerns, but they pale in comparison to Medicaid. AFDC involves tens of millions of

dollars, Medicaid involves billions."

He recalled that when President Clinton addressed the Florida legislature earlier this week and warned that growth states could be the financial losers in block grant proposals, Florida Gov. Lawton Chiles applauded, and the state's Republican-led Senate joined in.

Minnesota Gov. Arne Carlson, a Republican, has also argued that the Medicaid proposal could be financially damaging for some states.

A proposal for a 5 percent annual growth rate for federal Medicaid funds to the states has been suggested in the negotiations, but "most states are looking at double-digit growth rates" in their Medicaid programs, said Cyndy Brucato, Carlson's press secretary. "We just couldn't do it."

Sen. John D. "Jay" Rockefeller IV (D-W.Va) is one of several Democrats who has expressed support for greater state flexibility. "But not as a cover for across-the-board funding cuts," said Laura Quinn, Rockefeller's spokeswoman.

In a report released by the Kaiser Commission on the Future of Medicaid, an analysis of the impact of a 5 percent growth cap found that states would lose \$84 billion over five years compared to estimated spending without the cap. That would mean reductions in federal expenditures ranging from 2.7 percent in New Hampshire to 27 percent in West Virginia, the study found.
